

Exhibit 9

Mississippi Development Authority (MDA)
Homeowner Assistance Program – Partial Action Plan

HUD OIG Office of Audit Review and Concerns

STATUS as of 04/27/06

Background

The Department of Defense Appropriations Act, 2006 (Public Law 109-148, approved December 30, 2005) appropriated \$11.5 billion in Community Development Block Grant funds to assist in the recovery of the most impacted and distressed areas related to the 2005 Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico. The Appropriations Act requires that funds be used only for disaster relief, long-term recovery, and restoration of infrastructure in the impacted areas. The Act also provides for Secretarial waiver authority over the use of the grant funds consistent with the overall purpose of the statute.

The Act allocates grant funds among five states (Alabama, Florida, Louisiana, Mississippi, and Texas), with no state receiving more than 54 percent. The Governor of a respective state is allowed to designate an entity or entities to administer the state's allocation of the funds and up to five percent of a state's allocation may be used for administrative expenses. Each grantee is required to describe in its Action Plan for Disaster Recovery how the grant funds would be used to address long-term recovery and infrastructure restoration. HUD is required to monitor the usage of said funds and may disallow expenditures used for non disaster-related activities, or funds allocated for duplicate purposes.

The State of Mississippi was allocated more than \$5.05 billion for use in meeting unmet housing needs in areas of concentrated distress as a result of Hurricane Katrina. HUD defines unmet housing needs to include, but not be limited to, those of uninsured homeowners whose homes had major or severe damage. Concentrated distress is defined as the total number of housing units with major or severe housing damage in counties where 50 percent or more of units had major or severe damage. (FR-5051-N-01)

The Mississippi Development Authority (MDA), which administers the state's Community Development Block Grant program funds, will administer the grant funds allocated to Mississippi. The MDA developed a Homeowner Assistance Program using feedback from a focus group of approximately 20 homeowners. The MDA intends to conduct a pilot program for approximately 100 applicants to test the functionality of the grant application process, and to use the results to help structure the planned field centers.

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Mississippi Development Authority (MDA), Homeowner Assistance Program,
Partial Action Plan, March 31, 2006

The partial action plan submitted by the State of Mississippi, and approved by HUD, covers four programs: (1) the Homeowner Grant Assistance Program, (2) Elevation Grant, (3) Local Assistance, and (4) Office of Fraud Prevention and Investigation. The total amount proposed by Mississippi for these programs is \$3.260 billion, of which up to \$162.7 million may be used for planning and administrative activities. Mississippi plans to submit partial action plans on how the remaining funds allocated will be expended.

1. Homeowner Grant Assistance Program

The Homeowner Grant Assistance program provides a one-time grant, up to a maximum of \$150,000, to eligible homeowners who suffered flood damage to their primary residence as of August 29, 2005, from Hurricane Katrina. In exchange for the grant payment, a qualifying homeowner must agree to a covenant on their property that establishes building code, flood insurance, and elevation requirements for them and any future owner of the land. After certain deductions, the homeowner has complete discretion over the use of the grant funds, as allowable by state and federal laws. The MDA is allocating \$3 billion to the program.

The program restricts eligibility to homeowners whose primary residence was located outside pre-Katrina FEMA designated flood zones as of August 29, 2005, in the four counties (Hancock, Harrison, Jackson, and Pearl River) most impacted by the hurricane. Additionally, the homeowners must have maintained homeowners insurance on the property. Failure to meet any one requirement precludes entitlement to the grant funds.

The Homeowner Grant Assistance program is designed to provide compensation to those impacted by the hurricane. It is not intended to ensure long-term recovery and restoration of infrastructure in Mississippi or specifically benefit low- and moderate-income households. To implement the program, Mississippi, requested a waiver of Section 105(a) on eligible activities for the Community Development Block Grant program, as it does not include grants for compensation as an eligible activity.

The State also determined through its environmental review that project level actions are categorically excluded and not subject to related laws (i.e., environmental reviews are not required).

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Concerns

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹ Homeowners are required to identify, on the grant application, the anticipated usage of the funds (i.e., repair, rebuild, resettle, and/or undecided). Further, homeowners are advised to seek financial and/or legal advice regarding the tax implications of assistance.

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[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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2. **Elevation Grants**

The MDA may offer a separate grant program (allocation of \$250 million) that offers grants up to \$30,000 to help homeowners defray costs of elevating their homes. The program restricts eligibility to homeowners whose primary residence was located outside pre-Katrina FEMA designated flood zones as of August 29, 2005, in the four counties (Harrison, Hancock, Jackson and Pearl River) most impacted by the hurricane. The home must have been flooded as a result of Hurricane Katrina and the homeowners must have maintained homeowners insurance on the property. Further, the home is being elevated in accordance with the newly recommended FEMA flood maps and is being built in accordance with the International Residential Code of 2003.

The homeowner is required to attach covenants to their land, for example, obtain and maintain flood insurance. Each property is subject to an environmental review. Homeowners who had flood insurance at the time of the flood are not eligible to receive the \$30,000, as they should have received a like amount directly from the National Flood Insurance Program (NFIP).

3. **Local Assistance**

The Mississippi Development Authority is establishing a \$5 million grant pool for grants to local governments in the four counties (Harrison, Hancock, Jackson, and Pearl River) most impacted by the hurricane to cover costs related to additional permitting and building inspector officials for one year. The Authority plans to publish a program of grant assistance to local governments. Grant applications will be evaluated based on current staffing levels, anticipated work loads; projected staffing levels to meet those work loads, as needs arise throughout the coastal counties.

4. **Office of Fraud Prevention and Investigation**

The MDA plans to establish a \$5 million program to fund the establishment and

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operation of a Katrina Fraud Prevention and Investigation team, managed by the Office of the State Auditor. The team is responsible for investigating instances of fraud identified during the application review and eligibility process, and suspected fraud related to the rebuilding efforts.

The program is considered to be part of the program delivery costs for the Homeowner Grant Assistance program; thereby, meeting the same national objectives.

5. Planning and Administrative Activities –

The State is projecting up to \$162.7 million to be used for planning and administrative activities. It should be noted that although Mississippi received less funding than Louisiana for disaster recovery, Mississippi set aside twice as much as Louisiana for planning and administration activities. Louisiana set aside 80 million or 2 % of its original funding for planning and administration activities.

The State will carry out the recovery programs and therefore require a substantial financial commitment from available funding. The scale and expected long-term need may require future supplemental funding to sustain the recovery effort.

Additional comments - The Office of Audit is in the process of obtaining the procedures implemented/used by the State and its contractors to provide oversight of the Homeowners Assistance Program.